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INCOMING
TELEGRAM

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ACTION N-01

INFO COMINT CH-01 IC-01 EP-02 P-01 EP-01 RPH-01 PHO-01
RA-01 TAC-01 UN-01 P-01 2015 01 00P

INFO 104-00 ADS-00 22-00 520-00 CAP-00 03-00 7004 W
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FM AMEMBASSY BEIJING

DEPARTMENT OF STATE WASHDC IMMEDIATE 7556S/FPC/CDR

Cue Date 1/27/83

RELEASE INFO 104 (1A)
EXCISE ANCONSHU HONG KONG CLASSIFY
DRAFT AMEMBASSY TOKYO (1A) PARIS
 DELETE ANCONSHU SHANGHAI
ANCONSHU QUANTUNG
DIA Exemptions
PA Exemptions

MFC Comint Only:
EO 13506

() CLASSIFY AS () S or () C OADR
() DOWNGRADE TS to () S or () C OADR

RELEASER 74830 00 OF 01 210914Z 6447 FAP127
SALES CLUB IN THE WORLD, CHINA WOULD NOT EVER CONSIDER AS A MEMBER. HE NOTED THAT CHINA HAS THREE PRINCIPLES GOVERNING ARMS SALES AND CAREFULLY CONSIDERS ALL TRANSACTIONS. HE STATED THAT CHINA HAS SOLD ONLY A LIMITED NUMBER OF CONVENTIONAL, NON-NUCLEAR WEAPONS. AT THE REQUEST OF OTHER COUNTRIES FOR DEFENSIVE PURPOSES, ZHOU THEN LISTED THE THREE PRINCIPLE(S): THE WEAPONS WILL BE USED ONLY IN THE COUNTRY'S DEFENSE, WILL MAINTAIN PEACE IN THE REGION, AND DO NOT INTERFERE IN THE COUNTRY'S INTERNAL AFFAIRS. HE SAID THAT ARMS SALES ARE A BILATERAL MATTER THAT DO NOT CONCERN OTHER NATIONS AND OTHER NATIONS SHOULD NOT INVOLVE THEMSELVES IN BILATERAL RELATIONS BETWEEN OTHER COUNTRIES.

TS authority to
S. RESPONDING TO SENATOR LEAHY'S QUESTION ON FUSING THE VIECH MINISTER ZHOU SAID THAT CHINA WAS SHOCKED AT THE NEWS OF HIS DEATH. HE NOTED THAT PRESIDENT LIU YAO WAS CLOSE FRIEND OF BOTH CHINA AND THE US AND THAT CHINA WAS ONE OF CHINA'S FRIENDLY NEIGHBORS. HE ALSO STATED OUT THAT ZIA HAD MADE IMPORTANT CONTRIBUTION IN ASSISTING THE AFGHAN PEOPLE TO FIGHT SOVIET OCCUPATION. ZHOU ALSO SAID THAT ZIA'S STATE WAS SOMETHING "OUT OF THE BLUE" AND THAT THE PAKISTANI GOVERNMENT HAD NOT RULED OUT THE POSSIBILITY OF ASSASSINATION. ZHOU EXPRESSED THE HOPE THAT ZIA'S BODY WOULD REMAIN STABLE.

RW

6. SENATOR LEAHY EXPRESSED SIMILAR SHOCK AT PAKISTANI ZIA'S DEATH AND POINTED OUT THAT THE AMERICAN AMBASSADOR TO PAKISTAN AND THE AMERICAN MILITARY ATTACHE HAD ALSO DIED IN THE INCIDENT. THE SENATOR NOTED OUT THAT FIRST CONTACTS BETWEEN WASHINGTON AND BEIJING LEADING TO PRESIDENT NIXON'S HISTORIC TRIP TO CHINA HAD BEEN ARRANGED THROUGH PAKISTAN.

7. SENATOR STAFFORD ASKED FOR VICE FOREIGN MINISTER ZHOU'S ANALYSIS OF THE SITUATION IN CAMBODIA AS VIETNAM GRADUALLY WITHDRAWALS ITS TROOPS. ZHOU AFFIRMED THAT CHINA STANDS FOR A POLITICAL SETTLEMENT OF THE SITUATION IN CAMBODIA. HE NOTED THAT ALTHOUGH HANOI HAS CLAIMED THEY ARE WITHDRAWING TROOPS, CHINA HAS NOT YET SEEN ANY SINCERE MOVES ON THEIR PART. CHINA BELIEVES THAT THE VIETNAMESE WITHDRAWAL IS BASED ON ESTABLISHING A GOVERNMENT IN PHNOM PENH WITH THE KHMER SAMRIN-PUPPET GOVERNMENT AS THE MAIN FORCE. ZHOU SAID THAT ALTHOUGH SOME MAY BELIEVE THAT THE MAIN PROBLEM IS NOT THE WITHDRAWAL OF VIETNAMESE TROOPS BUT THE RETURN OF THE KHMER ROUGE, THIS IN FACT IS WHAT HANOI WOULD LIKE OTHERS TO THINK. ZHOU SAID THAT APPROACH WILL LEAD TO THE DANGER THAT ALTHOUGH VIETNAMESE TROOPS HAVE WITHDRAWN, THE KHMER SAMRIN GOVERNMENT WILL REMAIN IN POWER. ACCORD TO ZHOU, SUCH A DEVELOPMENT WOULD BE THE EQUIVALENT OF LEGALIZING THE VIETNAMESE INVASION OF CAMBODIA. ZHOU STATED THAT CHINA'S POSITION IS CLEAR--NEITHER THE KHMER ROUGE NOR THE KHMER SAMRIN GOVERNMENT SHOULD BE THE MAIN FORCE BUT BOTH PARTIES SHOULD BE INCLUDED IN A NEW GOVERNMENT WITH PRINCE SIHAIROUK AS THE PRIMARY ACTOR. ZHOU NOTED THAT GENERAL SECRETARY ZHAO HAD REAFFIRMED CHINA'S POSITION IN HIS INTERVIEW WITH JAPANESE REPORTERS AT BEIJING. ZHOU SAID WE MUST GUARD AGAINST TWO DANGERS, NOT JUST ONE.

8. SENATOR DASCHLE ASKED ZHOU ABOUT THE SITUATION IN THE KOREAN PENINSULA, CHINA'S EXPECTATIONS FOR REUNIFICATION NEGOTIATIONS, AND HIS VIEW OF THE UPCOMING OLYMPIC GAMES. DASCHLE EXPRESSED APPRECIATION FOR THE OPPORTUNITY TO VISIT TIBET EXPLAINING THAT THE AMERICAN PEOPLE ARE VERY INTERESTED IN TIBET. DASCHLE ASKED ZHOU TO OUTLINE BRIEFLY THE CURRENT ISSUES IN TIBET AND PROJECTIONS FOR THE NEXT COUPLE OF YEARS.

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9. ZHOU REPLIED THAT CHINA WOULD LIKE TO SEE STABILITY ON THE KOREAN PENINSULA TO MAINTAIN STABILITY IN THE REGION. HE SAID THAT THE KEY TO MAINTAINING SUSTAINED STABILITY LIES IN THE QUESTION OF A DIVIDED KOREA. BECAUSE IT IS VERY DIFFICULT FOR A DIVIDED COUNTRY TO HAVE PEACE AND STABILITY, CHINA FAVORS THE FORMATION OF A KOREAN CONFEDERATION WHERE THE TWO SIDES WOULD FORM A UNITED COUNTRY BUT EACH WOULD KEEP THEIR OWN SOCIAL SYSTEM. ZHOU SAID CHINA WOULD LIKE TO SEE CONTINUED APPROACHES BY THE NORTH AND SOUTH AND FLEXIBLE US POLICIES REGARDING THE PENINSULE. ZHOU POINTED OUT THAT SHOULD NORTH KOREA FEEL MORE ISOLATED, THIS WOULD NOT BE GOOD FOR ANYONE.

10. THE VICE FOREIGN MINISTER SAID THAT CHINA WOULD BE SENDING A LARGE DELEGATION TO THE SEOUL SUMMER OLYMPICS, AND THEREFORE HOPED THAT THE GAMES WOULD PROCEED IN A PEACEFUL ENVIRONMENT. HE EXPLAINED THAT PRESIDENT KIM IL-SUNG HAD ALREADY PROMISED THAT NORTH KOREA WOULD NOT INTERFERE WITH THE GAMES AND BEIJING BELIEVED HIS WORD.

11. ZHOU STATED THAT THE ISSUE OF TIBET IS A CHINESE INTERNAL MATTER. HE EXPLAINED THAT TIBET HAS BEEN AN INTEGRAL PART OF CHINA SINCE THE YUAN DYNASTY (CIRCA 700 YEARS AGO). TOWARD THE END OF THE QING DYNASTY, WHEN CHINA WAS WEAK, SOME FOREIGN COUNTRIES ATTEMPTED TO SEPARATE TIBET, BUT FAILED. ZHOU SAID HE WOULD NOT NAME NAMES. HE STATED, HOWEVER, THAT OTHERS INTEND TO DO THE SAME. IN DISCUSSING HUMAN RIGHTS, ZHOU POINTED OUT THAT WHEN TIBET WAS 'LIBERATED', SERFDOM WAS PRACTICED. SERF-OWNERS TREATED THEIR SERFS INHUMANELY AND SOMETIMES SKINNED THEM. ZHOU SAID THAT SOME BELIEVE THAT TIBET SHOULD RETURN TO THE SITUATION BEFORE THE 1950'S--SERFDOM. IS THAT CONFORMITY WITH HUMAN RIGHTS, HE ASKED.

ZXW

12. ZHOU SAID THAT CHINA'S POSITION ON TIBET IS CLEAR AND THE CENTRAL GOVERNMENT HAS LIBERAL RELIGIOUS AND NATIONALITIES POLICIES. SHOULD SOMEONE, FROM ANYWHERE, TRY TO SEPARATE TIBET, CHINA WILL RESOLUTELY OPPOSE THEM.

13. SENATOR LEAHY FOLLOWED UP EXPRESSING UNDERSTANDING FOR CHINA'S POSITION AND ACKNOWLEDGED THAT CHINA BELIEVES OTHER NATIONS SHOULD MIND THEIR OWN BUSINESS. CHINA, HOWEVER, HE SAID, MUST BE CONCERNED WITH HUMAN RIGHTS NATIONWIDE--BEIJING, SHANGHAI, AND TIBET. THE SENATOR STATED THAT THE DELEGATION DID NOT COME TO TELL CHINA WHAT TO DO. IN FACT, THE DELEGATION WAS INVITED BY THE CHINESE GOVERNMENT TO VISIT TIBET AMONG MANY OTHER PLACES. LEAHY EXPRESSED THE HOPE THAT THEY WOULD HAVE AS MUCH ACCESS AND OPPORTUNITY TO MOVE AROUND TIBET AND SEE AS MUCH AS POSSIBLE.

14. LEAHY POINTED OUT THAT THE DELEGATION WOULD BE LEAVING CHINA FOR HONG KONG. HE ASKED ZHOU TO PREDICT WHAT HONG KONG WILL BE LIKE 15 YEARS FROM NOW.

15. CONCLUDING THE DISCUSSION ON TIBET, ZHOU SAID THAT THE DELEGATION WAS WELCOME TO VISIT TIBET AND TRAVEL AS FREELY AS THEY DESIRED. HE QUOTED A CHINESE SAYING THAT SEEING SOMETHING ONCE IS BETTER THAN HEARING ABOUT IT A HUNDRED TIMES. ZHOU ASKED THAT THE DELEGATION LOOK AT TIBET OBJECTIVELY AND SAID THAT CHINA COULD NOT TOLERATE ISOLATIONIST ACTIVITIES. ZHOU POINTED OUT THAT THE DALAI LAMA IS A RELIGIOUS AND POLITICAL FIGURE ENGAGING IN POLITICAL ACTIVITIES ACROSS THE COUNTRY. THE DALAI LAMA PROVIDES A FORUM FOR PROPAGANDA AGAINST CHINA.

[CALLING FOR A BRIEFER STATEMENT BETWEEN CHINA AND US] THIS IS UNACCEPTABLE

16. ON HONG KONG, ZHOU SAID THAT THE CAPITALIST SYSTEM AND LIFESTYLE WILL REMAIN UNCHANGED AND HE BELIEVED THAT HONG KONG WOULD BE EVEN MORE PROSPEROUS THAN TODAY. HE SAID THAT HONG KONG WOULD STILL KEEP HIS POSITION AS AN INTERNATIONAL FINANCIAL AND TRADE CENTER AND MAY EVEN BE MORE INFLUENTIAL THAN TODAY. HE STATED THAT THIS DEVELOPMENT WAS IN CHINA'S BEST INTEREST AND ITS BRITISH FRIENDS WERE WORKING TO ENSURE SUCH PROSPERITY. ZHOU POINTED OUT THAT CHINA WAS ALSO WORKING TO ESTABLISH SMALL HONG KONGS ON THE MAINLAND. THEREFORE, HE ARGUED, THERE WAS NO REASON FOR CHINA TO CHANGE THE PRESENT SITUATION IN HONG KONG. AFTER 15 YEARS HONG KONG WILL BE CLOSER TO CHINA IN THESE RESPECTS.

17. SENATOR LEAHY NOTED THAT IT WAS IN CHINA OR HONG KONG'S INTEREST TO MAINTAIN HONG KONG'S CURRENT SITUATION. ZHOU REITERATED THAT THE CAPITALIST SYSTEM IS IMPORTANT TO CHINA IN HONG KONG, AND STATED THAT CHINA THEREFRE WILL BE MORE INVOLVED IN CHINA. LEAHY RESPONDED THAT AMERICAN INVOLVEMENT MUST BE CONSISTENT, THAT RULES WOULD NOT CHANGE AND THAT CHINA AND THE US FORMS OF GOVERNMENT COULD WORK TOGETHER IN SPHERE OF AGRICULTURE, JOINT VENTURES, AIRLINES, ETC. CHINA AND AMERICAN WAYS OF BUSINESS WERE QUITE DIFFERENT AND COULD LEARN FROM EACH OTHER. THE SENATOR STATED THAT IT WAS MOST IMPORTANT TO HAVE A SENSE OF CONTINUITY--THAT PLANS MADE TODAY MUST BE GOOD FOR 10, 20, OR 30 YEARS FROM NOW. LEAHY REITERATED HIS LONG-TERM FEELING OF BIAPARTISAN SUPPORT FOR CHINA POLICY IN THE US. HE SAID THAT HE HAD DISCUSSED HIS PLANNED TRIP TO CHINA WITH GOVERNOR DUKakis. SENATOR STAFFORD POINTED OUT THAT BUSH ALSO SUPPORTED PRESENT CHINA POLICY. SENATOR LEAHY THEN ASKED VICE FOREIGN MINISTER ZHOU IF HE HAD ANY QUESTIONS FOR THE DELEGATION.

RXN

18. ZHOU SAID HE WOULD LIKE A PREDICTION ON WHO WILL WIN THE PRESIDENTIAL ELECTION IN NOVEMBER BUT NOTED THAT SINCE BOTH PARTIES WERE REPRESENTED IN THE DELEGATION HE COULD GUESS AT THE ANSWER. SENATOR LEAHY STATED THAT IN ALL HONESTY IT WOULD BE A VERY CLOSE RACE, NOT LIKE THE REAGAN-MONDALE CONTEST OF 1984, AND IT WOULD BE DIFFICULT AT THIS POINT TO PREDICT A WINNER. REGARDING CONTINUITY IN CHINA, ZHOU SAID THAT CHINA IS CONFIDENT THAT POLICIES WILL NOT CHANGE--THEY COULD GUARANTEE CONTINUITY. ZHOU POINTED OUT THAT DURING THE RECENT SOVIET PARTY CONGRESS GENERAL SECRETARY GORBACHEV COULD NOT SAY THAT SOVIET REFORMS WERE IRREVERSIBLE. CHINA, HOWEVER, COULD SAY ITS POLICIES ARE IRREVERSIBLE AND WILL NEVER RETREAT. ZHOU SAID THAT CHINA WOULD GRADUALLY IMPROVE THE INVESTMENT ENVIRONMENT FOR FOREIGN CAPITALISTS, STARTING IN THE COASTAL REGIONS.

19. AMBASSADOR LORO ASKED VICE FOREIGN MINISTER ZHOU FOR THE CHINESE REACTION TO THE RECENT KHMER ROUGE PROPOSAL ON CAMBODIA. ZHOU RESPONDED THAT HE HAD NOT YET READ THE PROPOSAL IN DETAIL BUT FELT THAT THE CHINESE STATEMENT WAS MORE FLEXIBLE. HE STATED THAT CHINA'S POSITION WAS CLEAR-CUT AND SUGGESTED THE AMBASSADOR LOOK AT GENERAL SECRETARY ZHAO ZIYANG'S COMMENTS TO JAPANESE REPORTERS AT BEIJING, REGARDING CAMBODIA.

20. AMBASSADOR LORO ALSO ASKED ABOUT THE UPCOMING SINO-SOVIET VICE FOREIGN MINISTERS' WORKING MEETING ON CAMBODIA. ZHOU SAID THE OUTCOME OF THE TALKS DEPENDS ON WHAT THE SOVIETS HAVE TO SAY.]

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✓ SENATOR LEARY CLOSED THE MEETING NOTING THAT THERE
HAVE BEEN MANY CHANGES IN THE SOVIET UNION SINCE DURING
PRESIDENT KENNEDY'S RECENT VISIT THERE. HE SAID THAT HE
HAD LEARNED A LOT ON THIS THIRD TRIP TO CHINA AND HOPED
TO HAVE THE OPPORTUNITY TO COME BACK. ZHOU WELCOMED
THE DELEGATION TO RETURN AS OFTEN AS POSSIBLE. - (ORD-7)

RXN

PARTIAL TRANSCRIPTION FOLLOWS

4. ZHOU REPLIED THAT CHINESE GENERAL SECRETARY ZHAO ZIYANG, FOREIGN MINISTER QIAN QICHEN AND VICE PREMIER LI PENG HAVE ALREADY STATED THAT CHINA'S POLICY TO SECRETARY OF STATE SHULTZ. HE SAID THAT EVERYONE IS WELL AWARE WHICH COUNTRY RANKS FIRST IN THE WORLD IN SRMS SALES AND THAT CHINESE SALES COMPRIZE ONLY A SMALL PART OF WORLD ARMS SALES. ZHOU SAID THAT IF THERE WAS AN ARMS SALES CLUB IN THE WORLD, CHINA WOULD NOT EVER QUALIFY AS A MEMBER. HE NOTED THAT CHINA HAS THREE [ILLEG] GOVERNING ARMS SALES AND CAREFULLY CONSIDERS ALL TRANSACTIONS. HE STATED THAT CHINA HAS SOLD ONLY A LIMITED NUMBER OF CONVENTIONAL, NON-NUCLEAR WEAPONS AT THE REQUEST OF OTHER COUNTRIES FOR DEFENSE PURPOSES. ZHOU THEN LISTED THE THREE PRINCIPLES: THE WEAPONS WILL BE USED ONLY IN THE COUNTRY'S DEFENSE, WILL MAINTAIN PEACE IN THE REGION, AND DO NOT INTERFERE IN THE COUNTRY'S INTERNAL AFFAIRS. HE SAID THAT ARMS SALES ARE A BILATERAL MATTER THAT DO NOT CONCERN OTHER NATIONS AND OTHER NATIONS SHOULD NOT INVOLVE THEMSELVES IN BILATERAL RELATIONS BETWEEN OTHER COUNTRIES.

5. RESPONDING TO SENATOR LEAHY'S QUESTION ON PAKISTAN VICE MINISTER ZHOU SAID THAT CHINA WAS SHOCKED AT THE NEWS OF HIS DEATH. HE NOTED THAT PRESIDENT ZIA WAS A CLOSE FRIEND OF BOTH CHINA AND THE US AND THAT PAKISTAN WAS ONE OF CHINA'S FRIENDLY NEIGHBORS. HE ALSO POINTED OUT THAT ZIA HAD MADE IMPORTANT CONTRIBUTIONS IN ASSISTING THE AFGHAN PEOPLE TO FIGHT SOVIET OCCUPATION. ZHOU ALSO SAID THAT ZIA'S DEATH WAS SOMETHING OUT OF THE BLUE AND THAT THE PAKISTANI GOVERNMENT HAD NOT RULED OUT THE POSSIBILITY OF ASSASSINATION. ZHOU EXPRESSED THE HOPE THAT PAKISTAN WOULD REMAIN STABLE.

6. SENATOR LEAHY EXPRESSED SIMILAR SHOCK AT PRESIDENT ZIA'S DEATH AND POINTED OUT THAT THE AMERICAN AMBASSADOR TO PAKISTAN AND THE AMERICAN MILITARY ATTACHE HAD ALSO DIED IN THE INCIDENT. THE SENATOR NOTED OUT THAT FIRST CONTACTS BETWEEN WASHINGTON AND BEIJING LEADING TO PRESIDENT NIXON'S HISTORIC TRIP TO CHINA HAD BEEN ARRANGED THROUGH PAKISTAN.

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8. SENATOR DASCHUE ASKED ZHOU ABOUT THE SITUATION IN ON THE KOREAN PENINSULA, CHINA'S EXPECTATIONS FOR REUNIFICATION NEGOTIATIONS, AND HIS VIEW OF THE UPCOMING OLYMPIC GAMES. DASCHUE EXPRESSED APPRECIATION FOR THE OPPORTUNITY TO VISIT TIBET EXPLAINING THAT THE AMERICAN PEOPLE ARE VERY INTERESTED IN TIBET. DASCHUEASKED ZHOU TO OUTLINE BRIEFLY THE CURRENT ISSUES IN TIBET AND PROJECTIONS FOR THE NEXT COUPLE OF YEARS

9. ZHOU REPLIED THAT CHINA WOULD LIKE TO SEE STABILITY ON THE KOREAN PENINSULA TO MAINTAIN STABILITY IN THE REGION. HE SAID THAT THE [ILLEG] TO MAINTAINING SUSTAINED STABILITY LIES IN THE QUESTION OF A DIVIDED KOREA. BECAUSE IT IS VERY DIFFICULT FOR A DIVIDED COUNTRY TO HAVE PEACE AND STABILITY, CHINA FAVORS THE FORMATION OF A KOREAN CONFEDERATION WHERE THE TWO SIDES WOULD FORM A UNITED COUNTRY BUT EACH WOULD KEEP THEIR OWN SOCIAL SYSTEM. ZHOU SAID CHINA WOULD LIKE TO SEE CONTINUED APPROACHES BY THE NORTH AND SOUTH AND FLEXIBLE US POLICIES REGARDING THE PENINSULA. ZHOU POINTED OUT THAT SHOULD NORTH KOREA FEEL MORE ISOLATED, THIS WOULD NOT BE GOOD FOR ANYONE.

10. THE VICE FOREIGN MINISTER SAID THAT CHINA WOULD BE SENDING A LARGE DELEGATION TO THE SEOUL SUMMER OLYMPICS AND THEREFORE HOPED THAT THE GAMES WOULD PROCEED IN A PEACEFUL ENVIRONMENT. HE EXPLAINED THAT PRESIDENT [ILLEG] HAD ALREADY PROMISED THAT NORTH KOREA WOULD NOT INTERFERE WITH THE GAMES AND BEIJING BELIEVED HIS WORD.

11. ZHOU STATED THAT THE ISSUE OF TIBET IS A CHINESE INTERNAL MATTER. HE EXPLAINED THAT TIBET HAS BEEN AN [ILLEG] PART OF CHINA SINCE THE YUAN DYNASTY SOME 700 YEARS AGO. TOWARDS THE END OF THE QING DYNASTY WHEN CHINA WAS WEAK. SOME FOREIGN COUNTRIES ATTEMPTED TO SEPARATE TIBET, BUT FAILED. ZHOU SAID HE WOULD NOT NAME NAMES. HE STATED, HOWEVER, THAT OTHERS INTEND TO DO THE SAME. IN DISCUSSING HUMAN RIGHTS. ZHOU POINTED OUT THAT WHEN TIBET WAS LIBERATED, SERFDOM WAS PRACTICED. SERF-OWNERS TREATED THEIR SERFS INHUMANELY AND SOMETIMES SKINNED THEM. AHOU SAID THAT SOME BELIEVE THAT TIBET SHOULD RETURN TO THE SITUATION BEFORE THE 1950'S. -SERFDOM. IS THAT CONFORMITY WITH HUMAN RIGHTS, HE ASKED.

(TOP OF COLUMN TWO)

CALLING FOR A BUFFER STATED BETWEEN CHINA AND [ILLEG] THIS IS UNACCEPTABLE.

16. ON HONG KONG. ZHOU SAID THAT THE CAPITALISM SYSTEM AND LIFESTYLE WILL REMAIN UNCHANGED AND HE BELIEVED THAT HONG KONG WOULD BE EVEN MORE PROSPEROUS THAN TODAY. HE SAID THAT HONG KONG WILL STILL KEEP ITS POSITION AS AN INTERNATIONAL FINANCIAL AND TRADE CENTER AND MAY EVEN BE MORE IMPORTANT THAN TODAY. HE [ILLEG] THAT THIS DEVELOPMENT WAS IN CHINA'S BEST INTEREST AND ITS BRITISH FRIENDS WERE WORKING TO ENSURE SUCH PROSPERITY. ZHOU POINTED OUT THAT CHINA WAS ALSO WORKING TO ESTABLISH SMALL HONG KONG ON THE MAINLAND. THEREFORE, HE ARGUED, THERE WAS NO REASON FOR CHINA TO CHANGE THE PRESENT SITUATION IN HONG KONG. AFTER [ILLEG] YEARS HONG KONG WILL BE CLOSE TO CHINA IN MANY RESPECTS.

17. SENATOR LEAHY NOTED THAT IT WAS IN CHINA AND HONG KONG'S ADVANTAGE TO MAINTAIN HONG KONG'S PRESENT SITUATION. ZHOU MENTIONED THAT US [2 WORDS ILLEG] IMPORTANT [ILLEG] IN HONG KONG AND EXPRESSED HOW THERE WILL BE MORE US INVOLVEMENT IN CHINA. LEAHY RESPONDED THAT AMERICAN INVESTORS MUST BE [ILLEG] THAT RULES WOULD NOT CHANGE AND THAT OUR TWO DIFFERENT FORMS OF GOVERNMENT COULD WORK TOGETHER IN AREAS OF AGRICULTURE, JOINT VENTURES, AIRLINES, ETC. CHINESE AND AMERICAN WAYS OF BUSINESS WERE QUITE DIFFERENT AND COULD LEARN FROM EACH OTHER. THE SENATOR EXPLAINED THAT IT WAS MOST IMPORTANT TO HAVE A SENSE OF CONTINUITY. THAT PLANS MADE TODAY MUST BE GOOD FOR 20 OR 30 YEARS FROM NOW. LEAHY REITERATED THE [ILLEG] FEELING OF BIPARTISAN SUPPORT FOR CHINA POLICY IN THE US. HE SAID THAT HE HAD DISCUSSED HIS PLANNED TRIP TO CHINA WITH GOVERNOR DUKAKIS. SENATOR STAFFORD POINTED OUT THAT BUSH ALSO SUPPORTED PRESENT CHINA POLICY. SENATOR LEAHY THEN ASKED VICE FOREIGN MINISTER ZHOU IF HE HAD ANY QUESTIONS FOR THE DELEGATION.

18. ZHOU SAID HE WOULD LIKE A PREDICTION ON WHO WILL WIN THE PRESIDENTIAL ELECTION IN NOVEMBER BUT NOTES THAT SINCE BOTH PARTIES WERE REPRESENTED IN THE DELEGATION HE COULD GUESS AT THE ANSWER. SENATOR LEAHY STATED THAT IN ALL HONESTY IT WOULD BE A VERY CLOSE RACE, NOT LIKE THE REAGAN-MONDALE CONTEST OF 1984, AND IT WOULD BE DIFFICULT AT THIS POINT TO PREDICT A WINNER. REGARDING CONTINUITY IN CHINA, ZHOU SAID THAT CHINA IS CONFIDENT THAT POLICIES WILL NOT CHANGE

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19. AMBASSADOR LORD ASKED VICE FOREIGN MINISTER ZHOU FOR THE CHINESE REACTION TO THE RECENT KHMER ROUSE PROPOSAL ON CAMBODIA. ZHOU RESPONDED THAT HE HAD NOT YET READ THE PROPOSAL IN DETAIL BUT FELT THAT THE NEW STATEMENT WAS MORE FLEXIBLE. HE STATED THAT CHINA'S POSITION WAS CLEAR-CUT AND SUGGESTED THE AMBASSADOR LOOK AT GENERAL SECRETARY ZHAO ZIYANG'S COMMENTS TO JAPANESE REPORTERS AT BEIDAIHE, REGARDING CAMBODIA.

20. AMBASSADOR LORD ALSO ASKED ABOUT THE UPCOMING SINO-SOVIET VICE FOREIGN MINISTERS' WORKING MEETING ON CAMBODIA. ZHOU SAID THE OUTCOME OF THE TALKS DEPENDS ON WHAT THE SOVIETS HAVE TO SAY.

21. SENATOR LEAHY CLOSED THE MEETING NOTING THAT THERE HAVE BEEN MANY CHANGES IN THE SOVIET UNION SEEN DURING PRESIDENT REAGAN'S RECENT VISIT THERE. HE SAID THAT HE HAD LEARNED A LOT ON THIS THIRD TRIP TO CHINA AND HOPED TO HAVE THE OPPORTUNITY TO COME BACK. ZHOU WELCOMED THE DELEGATION TO RETURN AS OFTEN AS POSSIBLE. LORD